

**Testimony of Trevor Higgins
Senior Vice President, Energy and Environment
Center for American Progress**

**House Oversight and Accountability Committee
Subcommittee on Health Care and Financial Services
“The Inflation Reduction Act: A Year in Review”
2:00 pm, September 14, 2023
2154 Rayburn House Office Building**

September 14, 2023

Thank you, Chair McClain, Ranking Member Porter, and members of the Subcommittee. I appreciate the opportunity to appear today to provide testimony on the Inflation Reduction Act’s historic investments in American households and jobs aimed at accelerating the U.S. transition to a clean energy economy.

Last August, Congress built on the Infrastructure Investment and Jobs Act and the CHIPS and Science Act to enact the Inflation Reduction Act, which represents the largest investment in climate action in U.S. history. This legislation is projected to cut U.S. greenhouse gas emissions to 40 percent below peak levels by 2030, putting the United States on a path toward its Paris Agreement commitment of reaching 50–52 percent below 2005 levels by 2030.¹ These are critical milestones in the effort to limit global warming to 1.5°C this century.

The groundbreaking legislation is already at work today, growing the economy by investing in the middle class: It connects good-paying jobs and apprenticeship programs to clean energy incentives; it builds supply chains and domestic manufacturing that will equip America to compete in the global clean energy economy for decades to come; it cleans up air pollution that is concentrated in low-income communities; and it cuts household energy costs in every region of the country. The Inflation Reduction Act is also lowering health care costs and modernizing the Internal Revenue Service to deliver better service and fair enforcement.

IRA connects good-paying jobs and apprenticeship programs to clean energy incentives.

IRA is not only expected to create at least 1.5 million new jobs by 2030;² it has already created more than 170,600 clean energy jobs across the United States.³ These aren’t just jobs of the

¹ John Larsen and others, “A Turning Point for US Climate Progress: Assessing the Climate and Clean Energy Provisions in the Inflation Reduction Act” (New York: Rhodium Group, 2022), available at <https://rhg.com/research/climate-clean-energy-inflation-reduction-act/>.

² Megan Mahajan and others, “Updated Inflation Reduction Act Modeling Using the Energy Policy Simulator” (Washington: Energy Innovation, 2022), available at <https://energyinnovation.org/wp-content/uploads/2022/08/Updated-Inflation-Reduction-Act-Modeling-Using-the-Energy-Policy-Simulator.pdf>.

³ Climate Power, “One Year of Our Clean Energy Boom: The 170,606 (And Counting) New Clean Energy Jobs Across the United States”, July 25, 2023, available at <https://climatepower.us/wp-content/uploads/sites/23/2023/07/Clean-Energy-Boom-Anniversary-Report-1.pdf>

future. These are jobs right now. Importantly, the full value of the revised clean electricity tax credits is only available for project developers who pay prevailing wages and employ people in apprenticeship programs, expanding opportunities to family-supporting employment and ensuring that the clean energy economy will be built with good jobs.⁴

IRA supports the build out of secure supply chains and domestic manufacturing.

IRA's targeted investments incentivize onshoring manufacturing and building resilient supply chains in the U.S. For example, the clean energy investment tax incentives depend on increasing proportions of domestic content. There are investment programs for investments in new manufacturing in energy communities (Sec. 13501), advanced industrial facilities (Sec. 50161), automotive retooling (Sec. 50143), and more. IRA's advanced manufacturing tax incentives provide a long-term investment signal for critical mineral processing and battery production, and the structure of IRA's tax credits for electric vehicles depends on domestic assembly and domestic batteries. These investments are already supercharging the U.S. economy.

According to the Rhodium Group, there has been \$213 billion of investments to manufacture and deploy clean energy since the passage of the Inflation Reduction Act.⁵ New investments have supported at least 272 new clean energy projects in 44 states, as documented by Climate Power, including:⁶

- 91 new battery manufacturing sites, creating nearly 93,000 new jobs, in places like Kentucky, Missouri, Louisiana, and New York.
- 65 new or expanded electric vehicle manufacturing facilities, creating over 32,000 new jobs in cities like Savannah, Georgia; Montgomery, Alabama; and Auburn Hills, Michigan
- 84 new wind and solar manufacturing plants in cities like Pensacola, Florida; Cochran, Pennsylvania; and Georgetown, Texas

These investments in U.S. industry are necessary for competing on the advanced technologies that will power the new clean energy economy, and they will provide decades of job opportunities for communities across the country. These recent investments that are already helping the United States to compete with China and robust implementation will further increase U.S. competitiveness.

⁴ Mike Williams, Marina Zhavoronkova, and David Madland. "The Inflation Reduction Act Provides Pathways to High-Quality Jobs" (Washington: Center for American Progress, 2022), available at <https://www.americanprogress.org/article/the-inflation-reduction-act-provides-pathways-to-high-quality-jobs/>.

⁵ Rhodium Group and MIT CEEPR, "Clean Investment Monitor", last accessed September 13, 2023, available at <https://www.cleaninvestmentmonitor.org/>.

⁶ Climate Power, "One Year of Our Clean Energy Boom: The 170,606 (And Counting) New Clean Energy Jobs Across the United States", July 25, 2023, available at <https://climatepower.us/wp-content/uploads/sites/23/2023/07/Clean-Energy-Boom-Anniversary-Report-1.pdf>.

IRA investments help clean up air pollution that is concentrated in low-income communities.

Modeling from Energy Innovation shows that pollution reductions from the Inflation Reduction Act's clean energy investments are likely to prevent up to 4,500 premature deaths and nearly 119,000 asthma attacks annually by 2030.⁷ This translates to \$27 to \$42 billion in avoided health damages in 2030 alone. Importantly, these pollution-related deaths will decline by an even greater percentage in low-income communities and communities of color, which are disproportionately burdened by environmental harm and pollutants. IRA also leverages climate, clean energy, transit, and other federal funding opportunities to advance the Justice40 initiative, which aims to reduce legacy pollution and other disproportionate health and environmental hazards in disadvantaged communities.⁸ New and existing J40-covered programs across 24 federal agencies have made over \$91.2 billion in investments available in FY22 to address climate change, decarbonization, energy burdens, and legacy water and air pollution in historically marginalized communities.⁹

- Under FEMA's Building Resilient Infrastructure and Communities program (BRIC) Jefferson Parish, Louisiana has received \$19 million towards its project Entergy Grid Hardening of Power Distribution to Support Resiliency,¹⁰ which will upgrade the power infrastructure of community residents and protect them from outages arising from hurricanes and 150 mph winds.
- Under DOT's Low or No Emissions Vehicle Program the Chicago Transit Authority will receive over \$28.8 million to transition to an all-electric bus fleet by 2040, and reduce more than 8,720 tons of CO2 emissions within a historically disadvantaged community.¹¹
- Under USDA's Rural Energy for America Program (REAP), Tule Hydro LLC in California received a \$500,000 grant to retrofit an existing hydroelectric system that will generate over 19 million kWh every year and power 1,740 homes annually.¹²

⁷ Megan Mahajan and others, "Updated Inflation Reduction Act Modeling Using the Energy Policy Simulator," Energy Innovation, August 23, 2022, available at <https://energyinnovation.org/wp-content/uploads/2022/08/Updated-Inflation-Reduction-Act-Modeling-Using-the-Energy-Policy-Simulator.pdf>.

⁸ The White House. "Justice40 Initiative | Environmental Justice," accessed September 2023, available at <https://www.whitehouse.gov/environmentaljustice/justice40/>.

⁹ Sum of all 24 agencies' total funding made available in Fiscal Year 2022 through Justice40 covered programs. "Environmental Justice Scorecard ." Council on Environmental Quality, accessed September 2023, available at <https://ejscorecard.geoplatform.gov/scorecard/>.

¹⁰ FEMA, "Louisiana: Jefferson Parish - Entergy Grid Hardening of Power Distribution to Support Resiliency", last accessed September 13, 2023, available at <https://www.fema.gov/case-study/louisiana-jefferson-parish-entergy-grid-hardening-power-distribution-support-resiliency>.

¹¹ FTA, "FY22 FTA Bus and Low- and No-Emission Grant Awards", last accessed September 13, 2023, available at <https://www.transit.dot.gov/funding/grants/fy22-fta-bus-and-low-and-no-emission-grant-awards>

¹² USDA, "USDA Invests Nearly \$29 Million in Critical Infrastructure to Lower Energy Costs and Combat Climate Change in Rural California", December 12, 2022, available at <https://www.rd.usda.gov/newsroom/news-release/usda-invests-nearly-29-million-critical-infrastructure-lower-energy-costs-and-combat-climate-change>

IRA investments in rural electric co-ops will lower consumer costs and increase access to clean energy.

The Inflation Reduction Act makes historic investments in rural electrification, supporting our nation's electric cooperatives to bring clean and affordable energy to rural communities.¹³ IRA modifies the clean energy tax credits to allow electric cooperatives (and other non-profit entities like public hospitals, schools, places of worship, and more) to access the same federal clean energy incentives available to privately owned utilities. This allows cooperatives to access clean energy benefits directly, rather than relying on power purchase agreements.¹⁴ IRA also created the \$9.7 billion Empowering Rural America program, which will provide funding to rural electric coops to deploy clean energy, make energy efficiency improvements, and manage stranded assets.¹⁵

IRA investments cut household energy costs in every region of the country.

American households will save up to \$220 per year, saving Americans \$209-278 billion on their household electricity bills over the next ten years, thanks to the Inflation Reduction Act.¹⁶ IRA offers households up to \$28,500 in rebates and incentives to households that choose to install clean appliances in their homes and buy electric vehicles.¹⁷ For low-income households, these rebates can cover 100 percent of project costs, including installation costs. Because running on electricity is generally more affordable and less volatile than fossil fuels, home electrification can save the average household up to \$1,800 according to Rewiring America;¹⁸ and switching to an electric vehicle can save the average driver up to \$2,600 per year in fuel and maintenance costs, according to Consumer Reports.¹⁹ The IRA provides up to \$4,000 in tax credits for the purchase of a used electric vehicle, increasing access and affordability for lower income households.

¹³ USDA, "Biden-Harris Administration Makes Historic, \$11 Billion Investment to Advance Clean Energy Across Rural America Through Investing in America Agenda", May 16, 2023, available at <https://www.usda.gov/media/press-releases/2023/05/16/biden-harris-administration-makes-historic-11-billion-investment>

¹⁴ White House, "What is Direct Pay (Elective Pay)? | Rural Energy Cooperatives", last accessed September 13, 2023, available at <https://www.whitehouse.gov/cleanenergy/directpay/#rural>

¹⁵ USDA, "Empowering Rural America New ERA Program", last accessed September 13, 2023, available at <https://www.rd.usda.gov/programs-services/electric-programs/empowering-rural-america-new-era-program>

¹⁶ "Inflation Reduction Act Will Decrease and Stabilize Household Electricity Prices." Resources for the Future, accessed September 2023, available at <https://www.rff.org/news/press-releases/inflation-reduction-act-will-decrease-and-stabilize-household-electricity-price/>

¹⁷ Rachel Chang and others, "The Inflation Reduction Act Will Save Families Thousands of Dollars," Center for American Progress, September 12, 2022, available at <https://www.americanprogress.org/article/the-inflation-reduction-act-will-save-families-thousands-of-dollars/>.

¹⁸ Rewiring America, "The Electric Explainer: Key programs in the Inflation Reduction Act and what they mean for Americans," available at <https://www.rewiringamerica.org/policy/inflation-reduction-act> (last accessed April 2023).

¹⁹ Consumer Reports, "New Consumer Reports analysis shows rising gas prices ramp up savings for EV owners," Press release, March 10, 2022, available at https://advocacy.consumerreports.org/press_release/new-consumer-reports-analysis-shows-rising-gas-prices-ramp-up-savings-for-ev-owners/.

Even families that don't take advantage of these programs will still save on their energy bills, as the investments in affordable clean energy and reduced fuel demand across the economy will actually lower the price of natural gas.²⁰ These clean energy investments deliver more and more savings every year, which will be felt in every region of the country, ranging from 9 percent total energy cost savings in New England, to 12 percent in the Midwest, to up to 24 percent on the West Coast by the end of this decade.²¹ This includes, on average, annual household savings of \$10,969 in Pennsylvania, \$11,290 in Texas, \$11,148 in Michigan, \$10,082 in North Carolina, \$11,050 in Wyoming, and \$12,189 in Washington.²²

IRA is lowering health care costs.

The Inflation Reduction Act took an unprecedented leap toward protecting Americans from exorbitant prescription drug prices. The Inflation Reduction Act reins in high drug prices on multiple fronts. By enabling negotiation, it lowers drug prices for seniors and other Medicare enrollees; it also prevents drug companies from raising their drug prices excessively. In total, from 2022 to 2031, the Congressional Budget Office estimates that the IRA's drug pricing provisions would decrease the federal deficit by \$237 billion.²³

By enabling Medicare to negotiate the prices of select prescription drugs, the IRA will help Medicare beneficiaries who depend on some of the most expensive and widely-used medications. On August 29, 2023, the Centers for Medicare and Medicaid Services announced the first 10 Medicare Part D drugs for which it will negotiate prices, with these lower prices to take effect in 2026.²⁴ From June 1, 2022 to May 31, 2023, these 10 drugs represented approximately 20 percent of Medicare Part D gross covered prescription drug costs, totaling approximately \$50 billion.²⁵

The Congressional Budget Office estimated that drug price negotiation will cut net drug prices for the selected drugs in half.²⁶ These lower drug prices will not only reduce Medicare spending; drug price negotiation will also result in lower out-of-pocket costs for Medicare enrollees.²⁷ With

²⁰ John Larsen and others, "Pathways to Paris: A Policy Assessment of the 2030 US Climate Target" (New York: Rhodium Group, 2021), available at <https://rhg.com/research/us-climate-policy-2030/>.

²¹ Sally Hardin and Trevor Higgins, "Clean Energy Will Cut Costs for Families Across the Country," Center for American Progress, February 25, 2022, available at

<https://www.americanprogress.org/article/clean-energy-will-cut-costs-for-families-across-the-country/>.

²² Rewiring America. "IRA Electric Potential · United States"

²³ Congressional Budget Office, "How CBO Estimated the Budgetary Impact of Key Prescription Drug Provisions in the 2022 Reconciliation Act" (Washington: 2023), available at <https://www.cbo.gov/system/files/2023-02/58850-IRA-Drug-Provs.pdf>.

²⁴ U.S. Department of Health and Human Services, "HHS Selects the First Drugs for Medicare Drug Price Negotiation," Press release, August 29, 2023, available at

<https://www.hhs.gov/about/news/2023/08/29/hhs-selects-the-first-drugs-for-medicare-drug-price-negotiation.html>.

²⁵ Centers for Medicare and Medicaid Services, "Medicare Drug Price Negotiation Program: Selected Drugs for Initial Price Applicability Year 2026" (Baltimore: 2023), available at <https://www.cms.gov/files/document/fact-sheet-medicare-selected-drug-negotiation-list-ipay-2026.pdf>.

²⁶ Congressional Budget Office, "How CBO Estimated the Budgetary Impact."

²⁷ The White House, "Fact Sheet: Biden-Harris Administration Announces First Ten Drugs Selected for Medicare Drug Price Negotiation," August 29, 2023, available at

Medicare enrollees spending \$3.4 billion in out-of-pocket costs for the 10 selected drugs in 2022, drug price negotiation will be a lifeline for millions of seniors and disabled people.²⁸ These benefits will compound over time. The Centers for Medicare and Medicaid Services will continue to negotiate prices for Medicare Part D and B drugs annually, with up to 80 drugs negotiated by 2030.²⁹

The IRA also cracks down on pharmaceutical companies for hiking drug prices above the rate of inflation. From July 2021 to July 2022, drug companies raised the prices of more than 1,200 drugs above the inflation rate.³⁰ Drug companies that increase their prices faster than inflation will have to pay rebates back to Medicare, and Medicare Part B beneficiaries will pay lower coinsurance based on the lower inflation-adjusted price.

The IRA further insulates people with Medicare coverage from extreme out-of-pocket costs by capping annual out-of-pocket spending for Medicare enrollees at \$2,000 beginning in 2025. In 2022, Medicare beneficiaries who did not receive low income subsidies had average annual out-of-pocket costs above the \$2,000 threshold for three of the 10 drugs up for negotiation.³¹ Medicare enrollees are already benefiting from the IRA provisions to limit monthly out-of-pocket spending on insulin to \$35 a month.

The IRA will also enable millions of adults to access life-saving vaccines without cost-sharing. As of this year, the IRA requires Medicare Part D, as well as Medicaid and the Children's Health Insurance Program (beginning October 1, 2023) to provide all adult vaccines recommended by the Advisory Committee on Immunization Practices to beneficiaries at no cost.

The IRA also lowered costs for people who buy health insurance on their own through the Affordable Care Act marketplaces. It extended the enhanced premium tax credits enacted by the American Rescue Plan Act (ARPA) through 2025, saving marketplace enrollees an average of \$800 annually.³² As of 2022, the enhanced premium tax credits had resulted in an average of 53 percent premium savings per consumer per month.³³ The IRA improved affordability for

<https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/29/fact-sheet-biden-harris-administration-announces-first-ten-drugs-selected-for-medicare-price-negotiation/>.

²⁸ Ibid.

²⁹ Nicole Rapfogel, "5 Facts To Know About Medicare Drug Price Negotiation," Center for American Progress, August 30, 2023, available at

<https://www.americanprogress.org/article/5-facts-to-know-about-medicare-drug-price-negotiation/>.

³⁰ Arielle Bosworth, Steven Sheingold, Kenneth Finegold, Nancy De Lew, and Benjamin D. Sommers, "Price Increases for Prescription Drugs, 2016-2022" (Washington: U.S. Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation, 2022), available at

<https://aspe.hhs.gov/reports/prescription-drug-price-increases>.

³¹ Rapfogel, "5 Facts To Know About Medicare Drug Price Negotiation."

³² Office of the Assistant Secretary for Planning and Evaluation, "Marketplace Coverage and Economic Benefits: Key Issues and Evidence," July 20, 2023, available at

<https://aspe.hhs.gov/sites/default/files/documents/36e5e989516728adcc63e398b3e3d23d/aspe-marketplace-coverage-economic-benefits.pdf>

³³ Centers for Medicare and Medicaid Services, "Health Insurance Marketplaces 2022 Open Enrollment Report" (Baltimore: 2022), available at

<https://www.cms.gov/files/document/health-insurance-exchanges-2022-open-enrollment-report-final.pdf>.

millions more Americans and contributed to record-high marketplace enrollment of 16.3 million in 2023.³⁴

IRS modernization was long overdue.

The Inflation Reduction Act made long overdue investments in the Internal Revenue Service that are already being used to modernize its technology, improve customer service, and audit wealthy taxpayers. Tax enforcement is about not just collecting needed revenue, but also unrigging the economy for workers and honest taxpayers, while making sure the wealthy pay the taxes they legally owe.

Thanks to the new funding, the tax filing season was dramatically improved this year over last year—the IRS answered 3 million more calls, significantly reduced call wait times down to 3 minutes from 28 minutes, served 140,000 more taxpayers in person, and digitized 80 times more returns through the adoption of scanning technology.³⁵ It also cleared the backlog of unprocessed 2022 individual tax returns with no errors and enabled a new direct-deposit refund option for taxpayers with amended returns. As part of these improvements, it made huge progress on a “paperless processing” initiative it unveiled earlier this month, in which it aims to fully digitize its operations by 2025. It opened or reopened 42 Taxpayer Assistance Centers across the country, expanding in-person service to rural and underserved taxpayers. And it introduced a pilot program for a free direct-file system.

The agency has also taken important steps toward reducing the tax gap in our country—the difference between taxes owed and those actually paid, which was projected to add up to a jaw-dropping \$7 trillion over the next decade.³⁶ Recently, the IRS used Artificial Intelligence to identify 75 hedge funds, real estate investment funds, and other partnerships with assets over \$10 billion for audits.³⁷

Conclusion

The Inflation Reduction Act has already created hundreds of thousands of jobs, launched thousands of clean energy and transportation projects across the country and onshored supply chains that China was dominating. Clean energy is setting an example for the rest of the

³⁴ United States Department of Health and Human Services, “Biden-Harris Administration Announces Record-Breaking 16.3 Million People Signed Up for Health Care Coverage in ACA Marketplaces During 2022-2023 Open Enrollment Season,” January 25, 2023, available at <https://www.hhs.gov/about/news/2023/01/25/biden-harris-administration-announces-record-breaking-16-3-million-people-signed-up-health-care-coverage-aca-marketplaces-during-2022-2023-open-enrollment-season.html>.

³⁵ Internal Revenue Service, “Inflation Reduction Act 1-year report card,” available at <https://www.irs.gov/newsroom/inflation-reduction-act-1-year-report-card-irs-delivers-dramatically-improved-2023-filing-season-service-modernizes-technology-pursues-high-income-individuals-evading-taxes>.

³⁶ Remarks by Secretary of the Treasury Janet L. Yellen on Inflation Reduction Act, Progress on Modernizing the IRS, U.S. Department of the Treasury, August 2, 2023, available at <https://home.treasury.gov/news/press-releases/jy1672>.

³⁷ Internal Revenue Service, “IRS announces sweeping effort to restore fairness to the tax system with Inflation Reduction Act funding,” September 8, 2023, available at <https://www.irs.gov/newsroom/irs-announces-sweeping-effort-to-restore-fairness-to-tax-system-with-inflation-reduction-act-funding-new-compliance-efforts>,

economy to increase transparency in supply chains and improve job quality. And the benefits are just beginning to take effect—we are only one year in. Many programs have just started and incentives are newly available. Once the law is fully implemented, these benefits will only continue to grow, increasing the United States' competitiveness in the global economy, cutting household energy costs, and saving lives.

Thank you for the opportunity to be here today. I look forward to any questions you may have.